

# Quarterly Financial Report

1<sup>st</sup> QUARTER

Three months ended  
**May 31,**

2009



**Manitoba  
Public Insurance**

## Management Discussion and Analysis

Management's discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited financial statements for the first quarter ended May 31, 2009 included herein and the annual audited financial statements and supporting notes included in the corporation's 2008 Annual Report. Certain information in this report may consist of forward-looking statements. These statements are based on various techniques and assumptions including predictions about future events which may not occur. Actual results could deviate significantly from the forward-looking statements.

### Goal 1

Universally available mandatory protection against the cost of automobile accidents. Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and service.

**Why?** One reason for our creation was to deliver the best insurance value to Manitobans. This is the essence of our continuing success.

#### Driving and rating criteria:

- 2005 Toyota Corolla CE (4 door, 4 cylinders, 2 wheel drive)
- \$2 Million Third-Party Liability
- \$500 All Perils deductible

Among the lowest rates in Canada

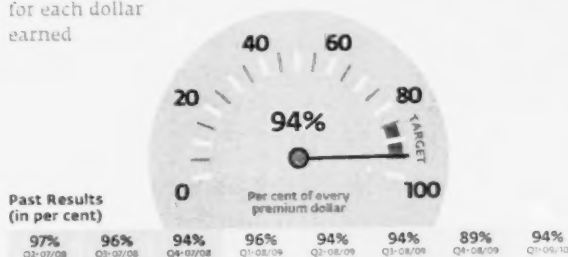


### Goal 2

The Basic plan will return at least 85% of premium revenue to Manitobans in the form of claims benefits.

**Why?** Over the long-term, returns within this range strike the right balance. We pay back to Manitobans substantially more of their premiums than would private insurers, while keeping a sound financial footing.

Premium returned for each dollar earned



### Goal 3

Manitoba Public Insurance will be a leader in automobile insurance and vehicle and driver licensing, providing Manitobans with superior products, coverage and service.

**Why?** By measuring key performance indicators, we can track the public's view of our performance.

Corporate Performance Index

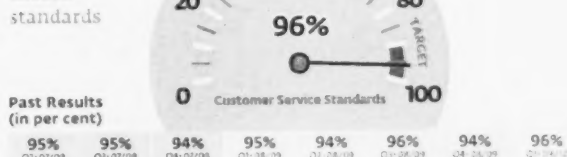


### Goal 4

Manitoba Public Insurance will provide service that is responsive, fair, courteous and convenient. Manitoba Public Insurance will meet corporate customer service standards that are based on customer expectations.

**Why?** We value our customers and put their interests first. Also, Manitobans expect more from us than from private insurers, because Manitoba Public Insurance is their company. We believe their higher expectations are justified.

Overall, how often do we meet exceed standards



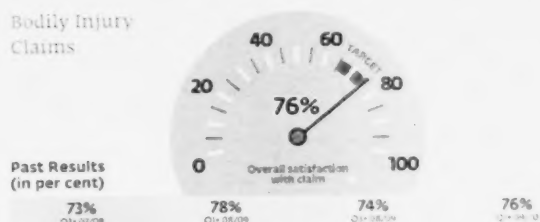
## Goal 4 continued

## Customer Satisfaction in Major Operational Areas

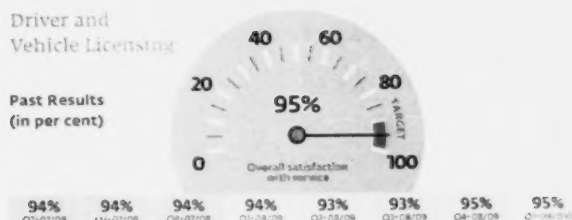
## Physical Damage Claims



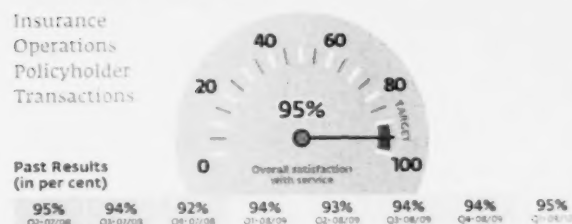
## Bodily Injury Claims



## Driver and Vehicle Licensing



## Insurance Operations Policyholder Transactions

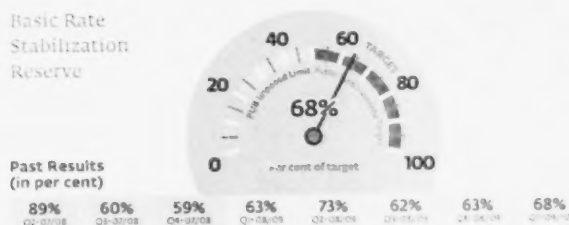


## Goal 5

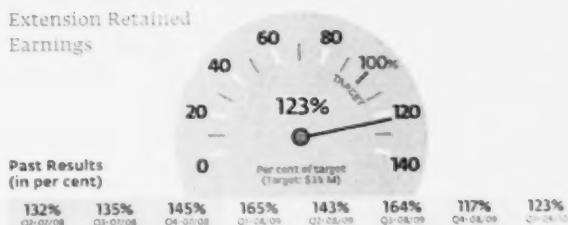
Retained Earnings and Rate Stabilization Reserve will be maintained within established target levels.

**Why?** Our long-term objective is to break even financially and to be financially self-sufficient. Maintaining the RSR within its target range helps us control rates when claim costs rise substantially. Manitobans deserve stable, affordable premiums over the long term.

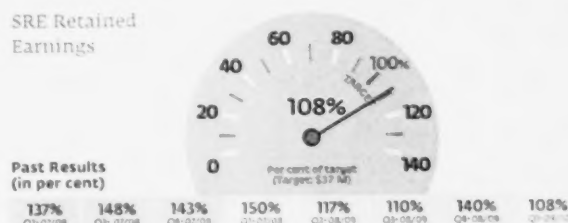
## Basic Rate Stabilization Reserve



## Extension Retained Earnings



## SRE Retained Earnings

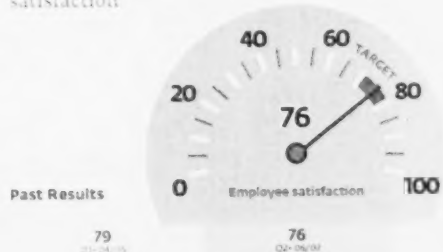


## Goal 6

Manitoba Public Insurance will offer an environment and career opportunities that will encourage employees to strive for excellence. Our people will be treated with respect and fairness and their contributions will be recognized.

**Why?** We value our employees.

## Level of employee satisfaction



## Goal 7

Manitoba Public Insurance will lead driver and vehicle safety initiatives that reduce risk and protect Manitobans, their streets and their neighbourhoods. Manitobans will recognize the Corporation is living its mission.

**Why?** Pursuing traffic safety and loss-prevention programs reflects our long standing commitment to the well-being of Manitobans and to affordable auto insurance. Manitobans have told us they support these efforts.

## Public support for road safety



## Results of Operations

### Current Year and Last Year

Manitoba Public Insurance reported net income of \$17.3 million for the three months ended May 31, 2009 compared to net income of \$13.2 million for the same period last year. This includes net income of \$7.9 million (2008 – net income of \$5.3 million) from the Basic insurance line of business. Net income from operations increased from the previous year by \$4.1 million due to improved underwriting results of \$1.7 million and increased investment income of \$2.4 million.

Total earned revenues for the three months increased from the previous year by \$10.2 million. The majority of this increase is attributed to motor vehicle earned revenues which increased by \$11.8 million or 6.1 per cent due mainly to increases in the number and value of vehicles insured.

Claims costs for the three months ended May 31, 2009 increased by \$1.9 million compared to last year. Physical damage claims incurred decreased by less than 1.0 per cent. The success of corporate initiatives to curtail auto-theft, including the Immobilizer Incentive Program and Winnipeg Auto Theft Suppression Strategy, continues to show positive results as theft and attempted theft claims costs declined by \$1.3 million or 21.9 per cent from the three months ended May 31, 2008. Bodily injury claims incurred increased marginally by less than 1.0 per cent compared to the first quarter last year as Personal Injury Protection Plan (PIPP) coverage types are subject to inflationary increases.

On December 2, 2008, the Public Utilities Board (PUB) approved the corporation's Basic insurance application for an overall 1% rate decrease for the 2009/10 fiscal year. The ruling means that Manitoba Public Insurance will have held the line or reduced auto insurance rates 10 of the last 11 years, without lowering service or reducing coverage.

On May 1, 2009, the corporation purchased the Cityplace property for \$81.5 million plus expenses. The Cityplace building houses most of the corporation's administrative offices as well as some third-party occupied office and retail space.

## Retained Earnings

Retained earnings of \$306.5 million (2008 – \$297.3 million) are comprised of \$144.8 million for Basic insurance (2008 – \$150.3 million) and \$161.7 million for competitive lines (2008 – \$147.0 million). The Basic insurance retained earnings are allocated entirely to the Rate Stabilization Reserve and the Competitive Lines retained earnings are allocated to retained earnings \$82.9 million and the Extension Development Fund \$78.8 million.

In the 2005/06 fiscal year, the corporation established the Immobilizer Incentive Fund by appropriating \$40.0 million from the Basic Rate Stabilization Reserve (RSR). The fund provided financial assistance for vehicle owners to install electronic immobilizers that meet the Canadian standard, including paying 50 per cent of the cost of the standard installation and providing interest-free financing for the remaining 50 per cent up to five years. In the 2006/07 fiscal year, an additional \$10.0 million was appropriated from the RSR to cover 100 per cent of standard installation costs for vehicles most likely to be stolen, regardless of where in Manitoba they were registered. The fund also covered the administrative costs of the program. During the first quarter ended May 31, 2009, the \$2.0 million remaining in the fund at the beginning of the current fiscal year was depleted. The corporation will continue to provide the same financial assistance for vehicle owners to install electronic immobilizers that meet the Canadian standard. Program costs incurred are included in net income for the Basic insurance line of business, which is reported in the RSR in the Statement of Retained Earnings.

In addition, the corporation established on March 1, 2007, the Extension Development Fund (EDF), by appropriating \$39.0 million from competitive lines retained earnings in excess of the most recent year's target of 200 per cent of the Minimum Capital Test (MCT). The MCT is a risk-based methodology developed by the Office of the Superintendent of Financial Institutions (OSFI) to assess a property and casualty insurance company's financial risk and determines the capital adequacy of reserves held in retained earnings. Additionally, on July 1, 2008, \$31.7 million and on March 1, 2009, \$20.9 million was transferred from competitive lines retained earnings to fund the EDF. The EDF is being used to fund service improvements made possible by the merger with the Division of Driver and Vehicle Licensing and that flow through the competitive lines statement of operations. Activity to May 31, 2009 has reduced the EDF by \$12.8 million to \$78.8 million.

## Outlook

The corporation remains committed to achieving its seven corporate goals. Actual results will be monitored, and corrective actions taken when necessary, to ensure that expected outcomes are realized.

On June 18, 2009, the corporation released its 2010/11 Basic insurance rate application to the PUB. If approved, overall average Basic insurance rates will remain unchanged from the previous year. The PUB is expected to rule on the application in the fourth quarter of the fiscal year.

Current projections indicate the corporation is expected to realize net income of approximately \$14.8 million during the current fiscal year.

## Statement of Operations

(Unaudited)

Three months ended  
May 31,

2009

2008

(in thousands of dollars)

Premiums written	\$ 251,801	\$ 245,663
Total earned revenues	<u>\$ 232,190</u>	<u>\$ 222,021</u>
Claims costs	190,532	188,620
Expenses	<u>47,926</u>	<u>41,405</u>
Total claims and expenses	<u>238,458</u>	<u>230,025</u>
Underwriting income (loss)	(6,268)	(8,004)
Investment income	<u>23,548</u>	<u>21,107</u>
Net income from operations	17,280	13,103
Surplus distribution	<u>0</u>	<u>54</u>
Net income after surplus distribution	<u><u>\$ 17,280</u></u>	<u><u>\$ 13,157</u></u>

# **Balance Sheet** (Unaudited)

May 31,

February 28,

2009

2009

(in thousands of dollars)

## **ASSETS**

Cash and investments	\$ 2,069,089	\$ 2,021,677
Accounts receivable	290,091	276,530
Other assets	210,110	153,776
	<u>\$ 2,569,290</u>	<u>\$ 2,451,983</u>

## **LIABILITIES**

Unearned premiums	\$ 445,514	\$ 441,588
Provision for unpaid claims	1,578,802	1,561,436
Provision for employee current and future benefits	226,407	221,658
Other liabilities	50,775	55,981
	<u>2,301,498</u>	<u>2,280,663</u>

## **RETAINED EARNINGS**

Basic insurance retained earnings		
Rate stabilization reserve	144,839	134,915
Immobilizer incentive fund	0	2,021
	<u>144,839</u>	<u>136,936</u>
Competitive lines retained earnings		
Retained earnings	82,893	92,918
Extension development fund	78,827	59,425
	<u>161,720</u>	<u>152,343</u>
	<u>306,559</u>	<u>289,279</u>

## **ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

	(38,767)	(117,959)
	<u>\$ 2,569,290</u>	<u>\$ 2,451,983</u>

# Statement of Retained Earnings

(Unaudited)

Three months ended  
May 31,

2009

2008

(in thousands of dollars)

**BASIC INSURANCE****Rate Stabilization Reserve**

Balance beginning of period	\$ 134,915	\$ 127,122
Net income after surplus distribution	7,903	5,295
Transfer from Immobilizer Incentive Fund	2,021	3,312
Balance end of period	144,839	135,729

**Immobilizer Incentive Fund**

Balance beginning of period	2,021	17,925
Transfer to Rate Stabilization Reserve	(2,021)	(3,312)
Balance end of period	0	14,613

**Balance Basic Insurance Retained Earnings  
end of period**

144,839	150,342
---------	---------

**COMPETITIVE LINES**

Balance beginning of period	92,918	103,739
Net income from operations	9,377	7,862
Transfer from (to) Extension Development Fund	(19,402)	1,438
Balance end of period	82,893	113,039

**Extension Development Fund**

Balance beginning of period	59,425	35,389
Transfer from (to) Competitive Lines Retained Earnings	19,402	(1,438)
Balance end of period	78,827	33,951

**Balance Competitive Lines Retained Earnings  
end of period**

161,720	146,990
---------	---------

**Balance Retained Earnings end of period**

\$ 306,559	\$ 297,332
------------	------------



### Statement of Comprehensive Income

(Unaudited)

	Three months ended May 31,	
	2009	2008
	(in thousands of dollars)	
<b>Net income after surplus distribution</b>	<u>\$ 17,280</u>	<u>\$ 13,157</u>
<b>Other Comprehensive Income</b>		
Unrealized gains (losses) on available for sale assets	73,193	29,976
Reclassification to income from available for sale assets	<u>5,999</u>	<u>(2,253)</u>
Other Comprehensive Income for the period	<u>79,192</u>	<u>27,723</u>
<b>Total Comprehensive Income for the period</b>	<u><u>\$ 96,472</u></u>	<u><u>\$ 40,880</u></u>

### Statement of Accumulated Other Comprehensive Income (Loss)

(Unaudited)

Balance beginning of period	\$ (117,959)	\$ 23,168
Other Comprehensive Income for the period	<u>79,192</u>	<u>27,723</u>
Balance end of period	<u><u>\$ (38,767)</u></u>	<u><u>\$ 50,891</u></u>

## Statement of Cash Flows

(Unaudited)

Three months ended  
May 31,

2009

2008

(in thousands of dollars)

### Cash Flows From (To) Operating Activities

Net income after surplus  
distribution

\$ 17,280

\$ 13,157

Non-cash items

5,937

(493)

23,217

12,664

Net change in non-cash  
balances

6,998

(47,490)

30,215

(34,826)

### Cash Flows From (To) Investing Activities

(249,593)

21,602

### Decrease In Cash and Short-term Investments

(219,378)

(13,224)

Cash and short-term  
investments beginning  
of period

270,822

130,777

### Cash and Short-term Investments End of Period

\$ 51,444

\$ 117,553

### Notes to Financial Statements

1. Certain of the comparative figures have been reclassified to conform with the current period financial statement presentation.
2. These interim financial statements:
  - should be read in conjunction with the corporation's 2008 Annual Report including the financial statements and supporting notes.
  - have been prepared following the same accounting policies that are disclosed in the corporation's 2008 Annual Report.

## MANITOBA PUBLIC INSURANCE OFFICES

**Administrative  
Offices****Brandon**

731-1st Street  
R7A 6C3  
Tel: 729-9400  
Head office and Special  
Risk Extension

**Winnipeg**

Box 6300  
R3C 4A4  
Tel: 985-7000

**Outside Winnipeg**

Tel: 1-800-665-2410

**Deaf access TTY / TDD**

Tel: 985-8832

**Service Locations****WINNIPEG**

445 King Street  
R2W 5H2  
Fax: 942-8317

1103 Pacific Avenue  
R3E 1G7  
Fax: 783-2764

930 St. Mary's Road  
R2M 4A8  
Fax: 254-0308

420 Pembina Highway  
R3L 2E9  
Fax: 284-7675

125 King Edward Street East  
R3H 0V9  
Fax: 783-0374

**Driver and Vehicle  
Licensing**

Main Floor  
234 Donald Street  
R3C 4A4  
Tel: 985-7000

1006 Nairn Avenue  
R2L 0Y2  
Tel: 985-8043

**Enhanced ID Centre**  
1745 Ellice Avenue

**Casualty and  
Rehabilitation**

Box 6300  
R3C 4A4  
Tel: 985-7200

**Rehabilitative Case  
Management**

Box 6300  
R3C 4A4  
Tel: 985-7200

**Bodily Injury and  
MedEx Injury**

Box 6300  
R3C 4A4  
Tel: 985-7200

**Physical Damage Centre**

1981 Plessis Road  
Box 45064  
Regent Postal Outlet  
R2C 5C7  
Tel: 985-7771

Holding Compound  
Tel: 985-7771

Salvage  
Tel: 985-7844

Commercial Claims  
Tel: 985-7877

**ARBORG**

323 Sunset Boulevard  
Box 418  
R0C 0A0  
Tel: 376-6633

**BEAUSEJOUR**

848 Park Avenue  
Box 100A  
R0E 0C0  
Tel: 268-6400

**BRANDON**

731-1st Street  
R7A 6C3  
Tel: 729-9555  
Tel: 1-800-852-2743 Rural

**Includes:**

**Driver and Vehicle Licensing  
Enhanced ID Centre**

**DAUPHIN**

217 Industrial Road  
Box 3000  
R7N 2V5  
Tel: 622-2750

**Driver and Vehicle Licensing**

Provincial Building  
27-2nd Avenue Southwest  
R7N 3E5  
Tel: 622-2783

**FLIN FLON**

8 Timber Lane  
Box 250  
R8A 1M9  
Tel: 681-2200

**PORTAGE LA PRAIRIE**

2007 Saskatchewan  
Avenue West  
Box 1150  
R1N 3J9  
Tel: 856-2600

**Driver and Vehicle Licensing**

Provincial Building  
25 Tupper Street North  
R1N 3K1  
Tel: 856-2624

**SELKIRK**

630 Sophia Street  
R1A 2K1  
Tel: 482-1400

**STEINBACH**

91 North Front Drive  
Box 2139  
R5G 1N7  
Tel: 326-4453

**Injury Claim Services**

**Enhanced ID Centre**  
Clearspring Mall 2  
PTH 12  
R5G 1T7  
Tel: 346-8030

**SWAN RIVER**

125-4th Avenue North  
Box 1959  
R0L 1Z0  
Tel: 734-4574

**THE PAS**

424 Fischer Avenue  
Box 9100  
R9A 1R5  
Tel: 627-2200

**Driver and Vehicle Licensing**

Room 109-117 3rd Street  
Box 2550  
R9A 1M4  
Tel: 627-2200

**THOMPSON**

53 Commercial Place  
Box 760  
R8N 1N5  
Tel: 677-1400

**Includes:**

**Driver and Vehicle Licensing  
Enhanced ID Centre**

**WINKLER**

355 Boundary Trail  
Box 1990  
R6W 4B7  
Tel: 325-9538

**Includes:**

**Driver and Vehicle Licensing**

**Enhanced ID Centre**  
Southland Mall,  
777 Norquay Drive  
R6W 2S2  
Tel: 331-7549



**Manitoba  
Public Insurance**

*For more information contact:*

**Manitoba Public Insurance  
Corporate Communications**  
Room 820, 234 Donald Street  
P.O. Box 6300  
Winnipeg, MB R3C 4A4